

COMMISSION OF THE EUROPEAN COMMUNITIES

Secretariat-General

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Brussels, 9 October 1974

PROPOSAL FOR A
REGULATION (EEC) OF THE COUNCIL
CONCERNING COMMUNITY LOANS

(submitted by the Commission to the Council)

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I N T R O D U C T I O N

After consulting the Monetary Committee and the Committee of Governors of Central Banks, the Commission submitted to the Council, on 15 July 1974, a proposal for a Community loan to assist Member States in financing balance of payments deficits caused by the rise in oil prices. After a preliminary exchange of views on this proposal, the Council instructed the competent Community authorities to work out a contingency plan in the event that a decision to carry out the loan operation were taken in the future.

At its session of 16 September 1974, the Council, having noted the progress of the work accomplished in the interim, requested the competent Community authorities to complete this work in time for its next session.

The Commission considers that the following draft regulation constitutes a necessary step in the creation of a Community loan mechanism.

PROPOSAL FOR A
REGULATION (EEC) OF THE COUNCIL CONCERNING COMMUNITY LOANS

The Council of the European Communities,

Having regard to the Treaty establishing the European Economic Community, and in particular Article 235 thereof;

Having regard to the proposal from the Commission;

Having regard to the Opinion of the European Parliament;

Whereas the considerable increase in the price of petroleum products has produced a deterioration in the balance of payments of the Member States of the Community, and will continue to do so in the future;

Whereas the effects of this deterioration will vary from one Member State to another and may thereby compromise the proper operation of the common market;

Whereas the Community should accordingly contribute to the financing required by this situation, and to this end itself borrow funds to be put at the disposal of Member States who need to redress their balance of payments;

Whereas, moreover, intervention by the Community as such is likely to contribute to a stabilisation of capital movements due to the increase in the price of petroleum products, to the benefit of the whole international community;

Whereas Community financing must be made conditional on the adoption by the beneficiary Member State of economic policy measures designed to redress its balance of payments;

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Whereas it follows from the foregoing that operations of this type are necessary to attain the objectives of the Community, and in particular the harmonious development of economic activities throughout the Community;

Whereas the Treaty makes no provision for the powers of action required for this purpose;

HAS ADOPTED THIS REGULATION:

Article 1

The Community shall undertake a series of operations to raise funds, either directly by private investment with financial institutions, or on the capital markets, with the sole aim of re-lending those funds to one or more Member States in balance of payments difficulties.

Article 2

The operations provided for in Article 1 may be negotiated and concluded only during a period of five years.

Article 3

The funds raised by the Community under Article 1 may be re-lent only to Member States. The operations of borrowing and lending shall be carried out in the same currency and on the same terms with respect to repayment of the principal and payment of interest. The costs incurred by the Community in concluding and carrying out each operation shall be borne by the beneficiary Member State.

Article 4

At the request of a Member State, the Council shall authorise the opening of the negotiations required to raise the funds and shall lay down the procedure for those negotiations.

In the light of the outcome of the negotiations, the Council shall decide on what terms the loan agreements are to be concluded, on behalf of the Community, by the Commission.

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Article 5

The Council shall decide on the loans to be granted to one or more Member States and on the economic policy conditions to be fulfilled by the beneficiary Member State in order to bring its balance of payments position into equilibrium.

Article 6

The Council shall lay down detailed rules for the implementation of this Regulation, including provisions designed to ensure that the loans are served in all circumstances.

Article 7

The measures referred to in Articles 4, 5 and 6 shall be adopted by the Council acting unanimously on a proposal from the Commission, which shall consult the Monetary Committee on the matter.

This Regulation shall be binding in its entirety and directly applicable in all Member States.